and domestic consumption though the Open Market Sale Scheme (Domestic) which included sales to the domestic flour Mills Industry. None of the flour Mills has made any complaint regarding the quality of the lustre lost wheat purchased from FCI.

Committee on foodgrains system

†3613. SHRI RAJIV RANJAN SINGH 'LALAN':
SHRI KAPIL SIBAL:

Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

(a) whether it is a fact that the Expenditure Reforms Commission and Abhijit Sen Committee had given some suggestions during the last year with regard to reforms in foodgrains system;

(b) if so, the details of the suggestions given by both of them;

(c) when these suggestions were received by Government; and

(d) the action taken by Government on the basis of these suggestions?

THE MINISTER OF STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION (SHRI SUBHASH MAHARIA): (a) Yes, Sir.

(b) and (c) The Expenditure Reforms Commission (ERC) and the Abhijit Sen Committee, known as the High Level Committee on a Long Term Grain Policy (HLC) submitted their Reports to the Government on 10.7.2000 and 31.7.2002 respectively. The major recommendations of the ERC and Abhijit Sen Committee on reforms in the foodgrains management system are given in the Statement I and II (*See* below).

(d) The suggestions included in the reports have wide policy ramifications, and require consultation with concerned Ministries/ Departments/State Governments which are currently in progress.

Statement-I

Recommendations of the Expenditure Reforms Commission

1. The State Governments will have to put in major efforts for identifying the BPL population, giving them ration cards and

†Original notice of the question was received in Hindi.

reaching the benefits intended for them in a transparent manner.

2. A national food security buffer stock of 10 million tonnes – 4 million tonnes of wheat and 6 million tonnes of rice should be maintained at all times.
3. The cost of holding the stocks in excess of the requirement for national food security and for PDS due to very generous minimum support prices based procurement policy, could be reflected in the Budget as producers' subsidy rather than consumer subsidy.
4. Inducing the State Governments and the private sector to enter into the foodgrains trade – procurement, storage as well as including exports, in an organized and big way by moderating the increase in MSP effected every year.
5. Freezing the MSP for paddy/rice and wheat in the forthcoming procurement seasons at the same level as fixed for the last procurement season and accepting the prices recommended by a body of experts like the CACP without making further increases.
6. State Government/private sector with surplus foodgrains production could be allowed to procure, sell and also export upto 3 million tonnes of rice and 5 million tonnes of wheat every year and also that this policy will remain unchanged for at least 15 years and that in the event of drop in foodgrains' production in any year, domestic consumption requirements would be met through imports.
7. Move towards a procurement price instead of minimum support price that will include the MSP as well as reasonable levels of taxes and other levies that can be imposed by the States, thus leaving it to the States to decide on what they should retain by way of taxes and levies and what should be passed on to the farmers.
8. Encouragement to rice procurement through levy route.
9. There be only one rate as is the case with wheat and that be the common variety alone.

10. Fixation of revised levy price with reference to strict quality standard may be announced before the coming season and levy percentage be fixed anywhere between 50%-70% as the miller may choose.
11. Speedy action to be taken on all cost reduction measures in respect of the Food Corporation of India as may be recommended by the Administrative Staff College of India, which is currently undertaking a study to suggest ways and means of reducing the economic cost.
12. Use of synthetic bag for procurement of rice.
13. The States that distribute quantities larger than what is allocated under BPL be paid cash instead of supply of foodgrains at subsidized rates for the BPL population. This would enable the States to procure the required foodgrains directly or through traders at competitive costs, which may work out to be less than the economic cost of the FCI.
14. Only quantities sold through the PDS to APL and BPL population, and the quantities sold at the economic cost should be reckoned as sales to arrive at distribution stocks (operational stocks) for determining the economic cost of foodgrains.
15. The freight charges and transit losses to the extent of one third of the opening stock of buffer, and in addition, the full transport cost and transit losses to the extent there is accretion to the buffer stock, be charged to the buffer carrying cost.
16. Carry over charges paid to the States be charged to the buffer carrying cost.
17. While working out the economic cost of wheat and rice, the benefit of "pooling" should be passed on to the APL/BPL consumers.

Statement-II

Report of the High Level Committee on Long Term Grain Policy

Major Recommendations

The Chairman of the High Level Committee on Long Term Grain Policy, Prof. Abhijit Sen submitted the Final Report of the Committee to

Shri Sharad Yadav, Minister of Consumer Affairs, Food and Public Distribution. The Committee Members included, *inter alia*, Dr. R. Radhakrishna, Director, Indira Gandhi Institute of Development Research, Mumbai, Dr. Madhura Swaminathan, Professor of Economics, ISI Kolkata, Shri A. Mohandas Moses, ex-MD, FCI and Dr. S.N. Kaul, Consultant, Department of Economic Affairs, New Delhi.

2. The Committee has made far-reaching recommendations with regard to the policy in the short as well as long run on

(i) Foodgrains-based welfare schemes;

(ii) Public Distribution System;

(iii) Minimum Support Prices and Procurement Policy;

(iv) Policy on Open Market Sales, Exports and Imports;

(v) Role of private trade; and

(vi) FCI.

Long Run Recommendations

(i) *Welfare Schemes*

With regard to the welfare schemes, the Committee has recommended a massive foodgrains employment programme, expansion of the existing Antyodaya scheme to cover the entire destitute population, Central support for moving to a cooked Mid-day Meals scheme for all school-going children and strengthening programmes for women and children.

(ii) *PDS*

With regard to the Public Distribution System, the Committee has recommended a system of Universal PDS with uniform Central Issue Prices for rice and wheat for all consumers in all parts of the country. The Committee has also recommended that an additional subsidy meant for poor consumers or persons in relatively backward regions should be given in cash to States. Other recommendations for streamlining the PDS include the setting up of an independent watchdog body, relaxation of restrictions on eligibility to be a licensed fair price shop dealer, effective implementation of the PDS (Control) Order, 2001 and greater responsibilities to be given to Panchayati Raj Institutions.

(iii) *MSP and Procurement Policy*

With regard to Minimum Support Prices, the Committee has recommended that the MSP policy should continue with an immediate correction. The Committee has recommended that the Commission for Agricultural Costs and Prices (CACP) should go strictly on the basis of C2 cost of production (*i.e.* all costs including the imputed costs of family labour, owned capital and rental on land) in more efficient regions. It has also recommended that the MSP should have statutory status and the CACP should be made an empowered statutory body.

It has further recommended to take care of the States which impose excessive levies on MSP purchase, the Central Government may announce its MSP policy by declaring a procurement price inclusive of a uniform 4% allowance, which should be the maximum price payable for MSP purchases. At this MSP price, the Central Government should underwrite open-ended purchase of FAQ grains to assure growers an adequate return on their cost.

The Committee has also recommended that FCI's operation should focus more on Eastern and Central India than in the past. The Committee has further recommended that while the Centre should continue to take primary responsibility for procurement, procurement should also become more dispersed. With regard to coarsegrains, the Committee has recommended that MSP operations should be decentralized to State Governments with full financial support from the Centre.

Another major recommendation of the Committee is that all compulsory levy orders on rice millers under the Essential Commodities Act should be removed with immediate effect and be replaced by orders requiring mills to custom mill the paddy procured under MSP and give delivery of the resultant rice to the Central Pool.

To ensure improvement in quality, the Committee has recommended that Fair Average Quality (FAQ) norms should be adhered to strictly in all purchases of grains. In unforeseen circumstances if below FAQ norms grains are procured, they should not be taken to the Central Pool and should be disposed of at commercial terms.

Along with the correct MSP policy, the Committee has recommended that the Central Government should explore expeditiously with the Insurance sector the commercial viability of insurance, devised strictly

on actuarial principles, against shortfalls not only of yield but also of prices from their past averages computed on an area basis. Any start-up subsidy required for this should be phased out within two years of implementations for all except poor and marginal farmers.

The Committee has also recommended measures for crop diversification given the changing dietary patterns.

(iv) *Open market sales, export and imports*

With regard to open market sales, the Committee has recommended that the prices should be based on the corresponding Central Issue Prices plus the full cost of transport and storage as well as market conditions.

With regard to export and imports of foodgrains, the Committee has recommended that it should be based on the system of variable tariffs and the exports should be entirely on private account.

(v) *Role of private trade*

The Committee has recommended that barriers to private trade should be eased. The Essential Commodities Act should in normal circumstances apply only to situations of natural disasters or other contingencies. However, it has recommended that a new set of orders, on the lines of PDS (Control) Order, 2001 may be required to apply to those who voluntarily enter activities encompassed in public procurement and distribution.

(vi) *FCI*

With regard to the Food Corporation of India, the Committee has expressed the opinion that it has performed its role reasonably well and should continue to do so. It has recommended that FCI should move into areas where reports of distress sale continue to be received and in such areas FCI should open procurement centres. It has further recommended that FCI should change the way it does business to enable fast commercial oriented decision-making. It has recommended that the FCI should develop a work culture of total quality management. The Committee has recommended that the FCI's role should be confined to procurement of major cereals for the PDS, *i.e.* rice and wheat and price support operations in coarse cereals should be handled by State agencies.

The Committee has suggested that the FCI should identify areas of cost control by normating of FCI's costs based on the norms recommended by the BICP. The Committee has also suggested several measures to cut down the storage and transit losses.

Short Run Recommendations

For the immediate short run, the Committee has recommended lowering of the MSP to average C2 cost, steps to be taken to give statutory status to MSP, removal of levy orders on rice millers and strict maintenance of quality specifications. Lowering of the C2 cost has been recommended along with a compensation package to be given to State Governments for compensating its cultivators, estimated at a total of Rs. 3915 crores.

The Committee has recommended that the State Governments should be free to offer this compensation to farmers in any one or combination of the following:

(i) Direct per hectare transfer to farmers,

(ii) Subsidising premiums on insurance schemes on crop incomes/ yield,

(iii) Specific crop diversification schemes, and

(iv) Other credit/input linked schemes to offset cost, including electricity.

The other recommendations for the short run, including shifting of the FCI's focus to East and Central India and removal of existing bottlenecks in the decentralized procurement system.

The Committee has recommended several stock reduction measures, including disposal of old and relaxed quality stocks. It has recommended that the lustre lost stocks of wheat should be liquidated by March 31, 2003 and all possible steps should be taken to segregate available stocks by age and quality.

It has further recommended that the FCI implements the method of physical verification within a period of three months, keeping in view the new sampling method proposed by the ISI.

With regard to exports, the Committee has recommended that steps should be taken to prevent leakages into the domestic market and a

review of the current export drive should be taken up as and when stocks come down to 35 million tonnes.

With regard to the PDS, the Committee has endorsed an immediate shift to a unified PDS, which in its view, would bring back many of the poor and moderately poor who have been excluded from the BPL category. The unified system should be accompanied by a uniform CIP for all consumers at Rs. 4.50 per kg of wheat and Rs. 6 per kg of rice to be accompanied by a transfer of 35 paisa per kg of grain offtake as cash incentive to State Governments, conditional on lifting and accounting. This should be till stocks reduce sufficiently, after which the CIP should be increased towards acquisition cost.

The Committee has further recommended that the allocation under present Sampoorna Gramin Rozgar Yojna scheme should be doubled and the expansion of the Antyodaya Anna Yojana be initiated.

Quantitative Restrictions on Foodgrains

3614. SHRI V.V. RAGHAVAN:
SHRI RAMA MUNI REDDY SIRIGIREDDY:
SHRI VIJAY J. DARDA:

Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

(a) whether Government are actively considering imposition of Quantitative Restrictions on foodgrains exports or alternatively increasing the ex-granary price export policy;

(b) if so, the details of the steps Government propose to take;

(c) the reasons for putting Quantitative Restrictions on the export of foodgrains; and

(d) whether such a restriction would contribute towards overflowing FCI godowns and food stocks adversely?

THE MINISTER OF STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION (SHRI SUBHASH MAHARIA): (a) No, Sir.

(b) to (d) Do not arise.